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November 19, 1984

IRON AGE METALS PRODUCER

IRON AGE BUILDS THE DREAM STEEL MILL

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NOVEMBER 19, 1984 VOL. 227, NO. 22

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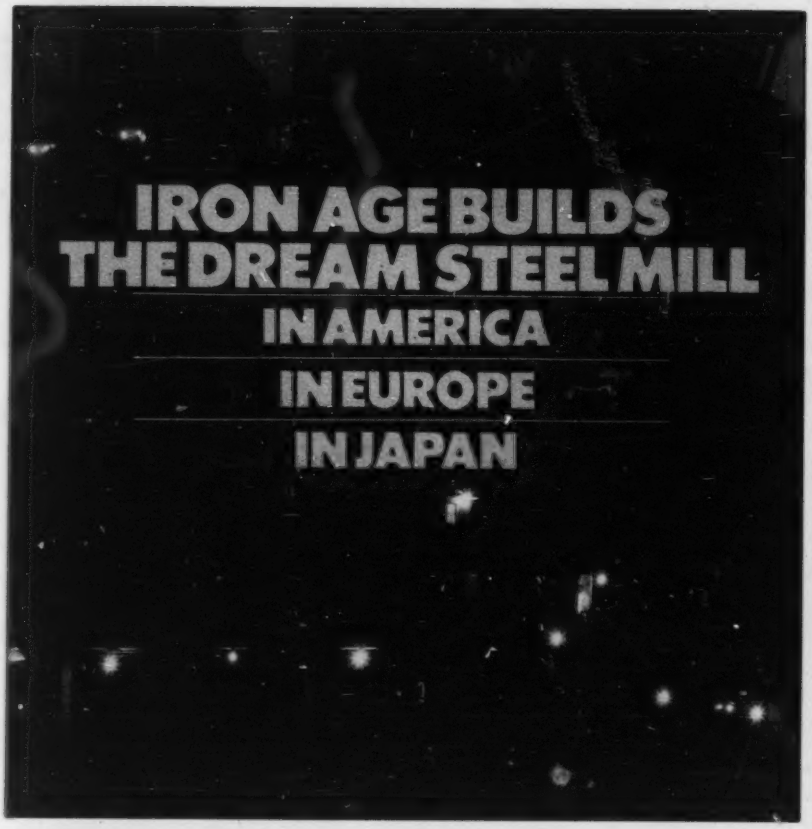

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IRON AGE (ISSN 0164-5137) is published 24 times a year by CHILTON COMPANY, Chilton Way, Radnor, PA 19089. Chilton Co. is a division of American Broadcasting Companies, Inc., New York, N.Y. Second Class Postage Paid at Wayne, PA 19087 and additional mailing offices. IRON AGE is sent on a controlled free basis to qualified managers in U.S. metalworking companies. Non-metalworking companies, services, government, institutions, schools and colleges, $42 one year. Canada, $69 year. Foreign, $69 one year. Single copies, $2.50. Cable Chilton Philadelphia.
Send address changes to IRON AGE, P.O. Box 1440, Riverton, N.J. 08077.

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Arco Aluminum Co., a unit of Atlantic Richfield Co. The package includes a 180,000 tons a year smelter at Sebree, Ky., as well as sizable rolling facilities. Alcan also will secure a 40 pct interest in Arco's new Logan County, Ky., can stock rolling mill.

Alcan was willing to buy the entire 400 million lbs a year Logan mill, but the U.S. Justice Department forced a separate agreement under which Alcan gets 40 pct and Arco keeps the remaining 60 pct for itself or for sale to a third party that cannot be any of the three major U.S. aluminum companies. Alcan can increase its equity via unilateral expansion of the Logan mill, the design of which provides for fast and sizable expansion of the cold rolling capacity.

Asked if, in view of its original intention to purchase all of Logan's current rolling capacity, Alcan was placing priority on expanding Logan as fast as it could, Alcan's top executives said the proper answer might be "we will be expanding it as quickly as we should."

Nickel producers expect demand to be in balance with supply during 1985

Is the tight clamp on nickel prices starting to relax a bit? Leading nickel producers think so, but they still aren't projecting anything like a fast recovery.

Demand should hold up in 1985, according to Inco, Ltd., and Falconbridge, Ltd., leaving a continued downtrend in inventories at the producer and London Metal Exchange (LME) levels to take the pressure off.

Free World Nickel Consumption

(In Millions of Lbs.)

	US	Japan	Europe	Other	Total
1st Qtr	88	84	121	27	320
2nd Qtr	85	85	118	27	315
3rd Qtr	70	80	94	26	270
4th Qtr	79	82	119	30	310

Source: Falconbridge Ltd.

Peter B. Salathiel, vice president, marketing for Inco Ltd., told a recent meeting of the National Association of Recycling Industries (NARI) in Pittsburgh that free world consumption of nickel should exceed supply (including imported material from U.S.S.R./Cuba) by 50 million lbs in 1984, pulling inventory down by that amount. Demand and supply should be in balance next year, he said.

He also noted that LME stocks have been declining markedly in recent weeks, "suggesting that producers are learning to adjust production to demand."

Mr. Salathiel said consumption could top new supply in the first half of 1985 by 20 million lbs and, with producer stocks nearing a bottom, the whole of the inventory adjustment will have to come from the LME stock. He also said the October declines in LME inventory suggest that a point may already be at hand. "My crystal ball does not tell me for how long demand will continue at its present level (but) as long as it does, we might see some interesting developments in the price of nickel over the near term," he said.

The LME spot price inched up toward $2.16 a lb by mid-October from $2.13 a lb a month earlier (during which period the pound sterling slipped to $1.1955 from $1.2655), but had been as low as $2.08 earlier in the second half.

Martin H. Webster, manager, market research for Falconbridge Ltd., told a NARI meeting in Toronto in mid-September that the LME cash price should not be overestimated as an indicator of the value at which the majority of free world producer nickel changes hands. He said the current LME price reflects mainly the price of cut Russian cathode and "even briquettes are trading at a 3¢ to 4¢ a lb premium."

When the LME price was at $2.14, the actual market price for nickel from producers ranged anywhere from $2.22 to $2.70 a lb, depending on grade and specific market area, he said.

Mr. Webster said free world nickel consumption was an estimated 635 million lbs in the first half of 1984, the highest since the record first half of 1979. Consumption was down in the first quarter to 270 million lbs, but the final period would see a return to the 310 million lb level, bringing the year's total to 1.215 billion lbs. Consumption in 1985 could reach 1.25 billion lbs and, should this projection prove low, "the industry's short term capacity to produce could be severely tested," he said.

Inco's Mr. Salathiel estimated demand levels at 1.25 billion lbs this year and 1.24 billion lbs in 1985. He also said total producer/LME stocks totaling 405 million lbs at the start of the year should be down to 355 million lbs as 1985 gets under way. Inco's own nickel inventory entered the fourth quarter at 85 million lbs, compared with 94 million lbs at midyear and 83 million lbs at the start of 1984.

Falconbridge's Mr. Webster said producers' stocks should finish the year at 295 million lbs, compared with 260 million lbs at the start of the year and noted that LME stocks have been in decline since last March. He also said the outlook for nickel prices must also reflect potential overcapacity and "the existence of government-sponsored producers who are prepared to sell at less than their cash costs of production."

Inco will reduce nickel production at its Walden plant

Inco Ltd.'s Canadian Alloys Division said it will cut the production rate at its Walden, Ont. rolling mill beginning Dec. 3, when operations will be cut to a single crew from the current two-shift cycle.

The Walden mill supplies the Royal Canadian Mint with pure nickel coinage products and produces nickel and copper-nickel strip for coinage requirements worldwide. Inco said worldwide coinage production has not recovered from the 1982 recession, making the cutback necessary.

The hourly paid workforce will be reduced by 23. Corresponding reductions in staff levels also will be made. Ten of the employees affected will be transferred to Inco's Ontario processing division. The remaining 13 lack the required seniority to move to the Ontario division.